

ADMINISTRATION AND FINANCE COMMITTEE

DATE: July 20, 2007

CALLED TO ORDER: 5:18 p.m.

ADJOURNED: 7:24 p.m.

ATTENDANCE

Attending Members

Joanne Sanders, Chair
Paul Bateman
Vernon Brown
Lynn McWhirter
Jackie Nytes
Lincoln Plowman

Absent Members

Lance Langsford

AGENDA

PROPOSAL NO. 264, 2007- proposes an ordinance of the Marion County Income Tax Council to impose a tax rate pursuant to IC 6-3.5-6-30 and IC 6-3.5-6-31
“Do Pass as Amended”

Vote 4-2

ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Friday July 20, 2007. Chair Joanne Sanders called the meeting to order at 5:18 p.m. with the following members present: Paul Bateman, Vernon Brown, Lynn McWhirter, Jackie Nytes, and Lincoln Plowman. Absent was Lance Langsford. Representing Council staff was Bart Brown, Council Chief Financial Officer (CFO), Aaron Haith, Chief Counsel and Jim Steele, Council Consultant.

PROPOSAL NO. 264, 2007 – proposes an ordinance of the Marion County Income Tax Council to impose a tax rate pursuant to IC 6-3.5-6-30 and IC 6-3.5-6-31

Chair Sanders offered a sincere apology to Mr. Jack Borgerding who was removed from the Public Assembly Room during the July 16, 2007 meeting of the Administration and Finance Committee. Chair Sanders also wanted to reiterate the point that Mr. Borgerding was not ejected from the audience for his comments at the podium.

Chair Sanders read the proposal and addressed the main points of Proposal No. 264, 2007. This proposal would increase the Marion County Income Tax from the current 1% to the new rate of 1.65%. Chair Sanders reported that this increase in the income tax would provide the city the resources to hire 100 new police officers in addition to those who have been hired since 2000 and those who were incorporated into the force by the creation of the Indianapolis Metropolitan Police Department. Chair Sanders also stated that the revenue gained as a result of Proposal No. 264, 2007 would be used to fund police and firefighter's pensions.

Chair Sanders reiterated the fact that property taxes do not fund special projects such as the new Colts stadium, or downtown development as a whole. These projects are funded by sales taxes and other state investments.

Chair Sanders stated that over the past four years the Mayor and the Council have been able to cut \$83 million, as a result of increased efficiency and lower spending in local government. In addition to the budget cuts the Council froze salaries for biweekly employees for the years 2004, 2005, and 2006.

The Council proposed and implemented Indianapolis Works as a means to fund and improve services. The purpose of this action is to create smaller and smarter local government. The Indiana State Legislature has not acted within the past three years to give Indianapolis the authority to further consolidate government functions in order to reduce government spending. The City-County government has also extended the audit system to hold non-elected officials accountable.

Chair Sanders announced that on Saturday, July 21, 2007 Mayor Peterson and the Council will announce cuts to City-County government that were being discussed. The cuts were described as painful and on top of cuts that have already been made. Chair Sanders emphasized the fact that everyone will be sharing in the sacrifice.

Chair Sanders opened up the floor to all the Councillors for discussion on Proposal No. 264, 2007. Chair Sanders recognized Councillor Nytes who asked for a brief history of the problems facing the police and firefighter's pension funds.

Mr. Robert Clifford, Indianapolis City Controller stated that the city issued \$100 million in bonds to pay the pension fund for the years 2005, 2006, and 2007. The money from the bond initiative, according to Mr. Clifford, will be depleted in late 2007.

Councillor Nytes clarified Mr. Clifford's statements by stating that the City-County government has been able to make payments to the pensions for 2005, 2006, and 2007 by using borrowed money. Starting in 2008 the money from the bonds will be gone but there will still be the pension obligation, without adequate funding.

The Indiana Legislature has been hesitant to step in and take over pension obligations from older cities, Indianapolis, Ft. Wayne, Evansville, Anderson, and Muncie. Mr. Clifford stated that if the state would step in to assist local governments it would be in the form of property tax relief and not pension obligation relief.

Councillor Nytes asked Mr. Clifford if the revenue from the proposed tax increase took into account the money that the state appropriates for cities. Mr. Clifford stated that it did, and that Barbara Lawrence had been working with the state actuary to project state appropriations to the pensions funds.

Chair Sanders stated that all cities have similar obligations, but the age of the city is what is hampering Indianapolis. Mr. Clifford stated that since the inception of Unigov the old city limits of Indianapolis have not been able to grow and acquire new territory to help spread out the burden of paying for services. Pension obligation in this case falls entirely on the old city.

Councillor McWhirter inquired as to why it appeared that there was not a \$30-\$35 million pension debt until somewhere around 2018. Mr. Clifford responded that the actuarial charts do not include the "drop" retirement plans that are being paid now. Mr. Clifford also stated that the function of the proposed tax increase would be to cap off the plan now so the city does not see a \$65 million obligation in the future.

Councillor McWhirter inquired about the \$100 million the city borrowed in 2005 to make pension payments and stated that the city's obligation in 2006 was \$21 million, and wanted to know where the \$9-\$14 million extra went.

Councillor McWhirter also inquired as to how much of an increase in property or income taxes would be necessary to fund the pension obligation without borrowing money. Mr. Clifford stated that the info provided to the committee would show what would be needed plus additional revenue to support "drop" payments over the next few years.

Councillor McWhirter inquired about the pension obligation of a pre '77 firefighter or police officer. Mr. Clifford stated that it depends on the amount of time served but on average it is 50% of a first class firefighter's pay or roughly \$25,000-\$30,000 a year pension.

Councillor McWhirter also inquired about the opportunity of police and firefighters to "buy out" of their current pension plans, either '27 or '53 pension plans, and be incorporated into the '77 plan. Councillor McWhirter then asked how many did "buy out" their plans and join the '77 plan. Mr. Clifford asked Tom Miller, International Association of Firefighters 8th District, Vice President, to

answer Councillor McWhirter's question. According to Mr. Miller about one-third of eligible police or firefighters took the \$10,000 buyout.

Councillor Plowman inquired as to any possibility of combining pension plans. Mr. Clifford deferred Councillor Plowman's question to Councillor Nytes who sits on the pension board. Councillor Nytes commented on the question to the point that the board she sits on has repeatedly asked the state to combine pension plans, but that it is financially a very complex transaction.

Councillor Bateman asked about the .65% increase and how much of that increase is earmarked for pensions and cost of living adjustments are included. Mr. Clifford stated that there are cost of living adjustments rolled into the '77 plan. Mr. Clifford also stated that about 1.5% of the increase would go toward pensions.

Councillor Sanders asked Mr. Clifford for a breakdown of the .65% increase. Mr. Clifford stated that .2% of the increase would go to freeze the levees on local government within Marion County. Mr. Clifford explained that to freeze the levees means that local taxing districts cannot raise their tax above the current 2007 level for at least two years. The remainder .45% would be available for public safety initiatives. The .45% increase is projected to raise over \$75 million dollars for public safety. Mr. Clifford stated that the Mayor wants 100 new officers on the street and he believes this will cost upwards of \$11 million.

Councillor McWhirter asked Mr. Clifford how the new officers and firefighters' raises would be funded if the proposed tax does not pass. Mr. Clifford stated that the contracts would have to be reexamined.

Councillor Plowman stated that by raising the income tax, the council was just alleviating another tax. Councillor Nytes responded that citizens hate property taxes more than income taxes. Councillor McWhirter stated that by moving the tax away from property you shrink the group of people who are being taxed since income taxes only affect those working and does not include businesses. Councillor Plowman stated that this tax was another layer of taxes to act like a band aid that does not fix the long term problem.

Councillor Nytes stated that she would entertain deeper budget cuts, but coming up with \$30 million is not something that can be found by cuts. She stated that this problem has gone on way too long and something needs to be done now to solve the problem.

Councillor Plowman inquired if the income tax increase would need to be so high if the major cuts that are to be announced by the Mayor's office are significant. Bart Brown responded that if there were \$10 million freed up in the budget that could be revenue for other uses. Mr. Brown stated that this increase not only provides additional income for public safety but at the same time provides relief for property owners.

Councillor Nytes agreed with Councillor Plowman that the state government should step in to assist. The current property tax issue has focused people's attention on the layers of government and the Governor has appointed Chief Justice Shepherd and former Governor Kernan to lead a task force find ways to make local government more efficient.

Councillor McWhirter inquired about the savings the city would encounter through the merger of Indianapolis and township fire departments. Mr. Clifford deferred Councillor McWhirter's question to Suzannah Overholt, Transitional Director, Office of the Controller. Ms. Overholt addressed the questions being asked in regard to the cost of the fire department mergers and the debt the city incurred as a result of the mergers. Ms. Overholt stated that a conservative estimate would be upwards of \$18 million in savings through the merger. Ms. Overholt also described the financial situations of township fire departments and how the consolidation will make these fire department economically viable.

Councillor Nytes asked Mr. Glenn Lawrence and Judge Steven Eichholtz, representatives of the Criminal Justice Planning Council (CJPC), for an update on how the CJPC used its budget since August 2006. Mr. Lawrence stated that many new courts were added to the Marion County Court system. The courts have been able to manage an increase in case loads through these additional resources. Judge Eichholtz stated that the quick turn around of cases through the increased capacity of courts has led to the elimination of immediate releases. The process time of those who come through the courts is reduced and there is less demand on the system.

Chair Sanders asked both Mr. Steele and Mr. Brown about the shift from property tax to income tax and the need to shift from one process to another. Mr. Steele gave a history on the Marion County, County Option Income Tax (COIT). He said that the COIT was to fund the pensions of officers and firefighters and first enacted in the mid 1980's. From 1989 until July 2005 the tax rate for COIT remained at .7% to fund the pension trust fund.

Chair Sanders inquired about what kind of stable budget could be assembled in the absence of a COIT increase. Mr. Steele stated that the city would be in dire straits, and the problem needs to be addressed.

Glenn Lawrence, Marion Superior Court Administrator, spoke in support of the Proposal No. 264. Mr. Lawrence noted that great strides have been made in the criminal justice system during the past year, and continued funding of these initiatives will be a step in the right direction.

Frank Anderson, Marion County Sheriff, spoke in support of Proposal No 264. Sheriff Anderson stated that the funding is needed in order to continue the fight on crime that the city and county faces.

Mike Medler, Director of the Marion County Forensic Services Agency (Crime Lab), spoke in support of Proposal No. 264. Mr. Medler stated that because of the revenue from COIT, the Crime Lab has been able to solve many more difficult cases.

Earl Morgan, Director of Public Safety, spoke in support of Proposal No. 264. Mr. Morgan stated that the passage of Proposal No. 264 would enable public safety officials to meet many public safety challenges. Mr. Morgan also affirmed that the money generated from COIT would provide the funding needed to continue crime fighting initiatives.

Twelve members of the public spoke in opposition to Proposal No. 264.

The main points of opposition follow:

- There should not be an income tax increase to fund public safety until property tax issues are resolved.
- Local government should control spending and live within its means.
- Citizens feel as if they are being taxed to death by high increases in property taxes and the proposed income tax.

Four members of the public spoke in support of Proposal No. 264.

The main points of support follow:

- Public safety officers have served their time on the force and deserve the pensions they were promised.
- The city and county need more police officers on the streets to combat the increase in crime.

[Clerk's Note: A copy of the sign-in sheet for speakers is on file in the Clerk's office with an original copy of the minutes.]

Councillor Bateman moved, seconded by Councillor Nytes, to forward Proposal No. 264 to the full Council with the recommendation of "Do Pass as Amended." The motion carried by a vote of 4-2.

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 7:24 p.m.

Respectfully submitted,

Joanne Sanders, Chair
Administration and Finance Committee